



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 11/19/2004

**GAIN Report Number:** CH4830

## China, Peoples Republic of

### Fishery Products

### Hairy Crabs Invade Shanghai

### 2004

**Approved by:**

Ross Kreamer  
U.S. Consulate

**Prepared by:**

Ralph Bean

---

**Report Highlights:**

Hairy crab is a local delicacy that becomes a near obsession during the peak season in late Fall. Prices for top-quality crabs approach \$100 per pound. This phenomenon underlines the extraordinary potential in China's high-end and gift markets. Some U.S. exporters, and particularly the Alaska Seafood Marketing Institute, have been able to tap into this market, and U.S. crab exports to China are set to hit a record value well over \$31 million. It also highlights the highly segmented nature of Chinese markets, and points to some potential pitfalls.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Shanghai ATO [CH2]  
[CH]

## Crabmania

Hairy crab season is an annual event, an occasion that brings out the extremes in this nation of gourmands. In a city where a simple restaurant meal costs \$2, top quality crabs can fetch nearly \$100 per pound, and even mediocre crabs cost roughly \$10 per pound. Total hairy crab production is estimated at 394,000 MT in 2003, with sales values estimated at well over \$50 million. The amount of culture that has built up around the hairy crab over the years is astounding, and is one of the keys to its value. The crab is native to areas of the lower Yangtze River delta, including Shanghai and the provinces of Jiangsu, Zhejiang and Anhui, and gets its name from the mossy hair growing on its foreclaws (it is also known as the 'mitten crab'). Certain specific areas are regarded as producing the best crabs. Yangcheng Lake is supreme among these, with Yangcheng Lake crabs commanding a far higher price than regular hairy crabs.

Hairy crab is a seasonal dish, and specific times are regarded as being the best for eating certain types of crabs: female crabs are favored in Lunar September while male crabs are best eaten in Lunar October (although the Chinese use the western calendar for most purposes, the lunar calendar is still used for traditional events such as the Chinese New Year holiday). Restaurants in Shanghai often build their reputation on crab dishes. The Central Hotel is regarded as one of the best, using only Yangcheng Lake crabs, and charging \$46 for two steamed crabs. Local lore is clear on the point that crabs must be sold and cooked live. Consumers avoid buying crab at cheaper restaurants, which have a reputation for using meat from dead crabs.

## Counterfeit Crabs

In a country where counterfeiting is routine, it is hardly surprising that even hairy crabs suffer from this problem. The Yangcheng Lake crabs have become the focus of a cat-and-mouse game between counterfeiters (seeking to pass off crabs from other areas as Yangcheng Lake crabs) on one side, and authorities and the Yangcheng Lake Hairy Crab Association on the other. The mere fact that producers in this normally unorganized industry have formed an association gives just the slightest hint of how far this has gone. In previous years, the association issued unique identification numbers for genuine crabs, which were etched into the crab's foreclaw. This was supplanted by a laser-printed barcode last year, which failed miserably as it was almost immediately counterfeited. For this year, the Association is using a special anti-counterfeiting ring attached to the claw, including the producing company's name and an 18-digit number, which consumers can use to identify authentic crabs by calling a hotline. This measure has also failed, however, and newspapers report that crabs bearing counterfeit rings now outnumber the real article in local markets. The days of the Yangcheng Lake crab's supremacy may be numbered, however, as many locals claim that the quality is in decline.



Not one of the elite: A less expensive hairy crab from Nantong.

## A Crabby Mood

Most of the crab's difficulties are rooted in out-of-control demand. Although harvest volumes continue to grow, overharvesting is having an impact on the size of the crabs, with the market now flooded with crabs in the 75-120 gram range. The small crabs are affecting

producers' profits, as they command significantly lower prices than those weighing over 150 grams, the preferred size. The impact on export supplies has been even sharper. The standard for export-grade crabs was lowered from 187.5 grams to 150 grams, but supplies are insufficient even at the lower weight. Some of the trouble is traceable to a decline in the quality of juvenile crabs available for culture. Overharvesting, combined with pollution and dam construction, has reduced the natural supply of juvenile crabs. Crabs have nearly disappeared from the mouth of the Yangtze, once a major source for crab stock. This problem is now being compounded by a decline in the quality of the genetics, as crabbers have taken to transplanting baby crabs from the Liaohe River in far Northeast China. The Liaohe River crabs are regarded as inferior, and many fear that mixing them with local crabs is bringing down the overall quality.

### Why Should I Care?

The hairy crab phenomenon helps not just to point out the extraordinary market for aquatic products, but makes several key points that are important for anyone interested in the Chinese market.

- Low incomes relative to the U.S. do not mean that there is not a market for premium products. One kilogram of hairy crabs costs nearly a week's pay for the average Shanghainese, yet there is a seemingly endless demand for them.

- Contrary to common wisdom, Chinese consumers are sensitive to quality. If you can convince them that a product is clearly superior, consumers will pay more for it, provided they are confident it is not counterfeit.

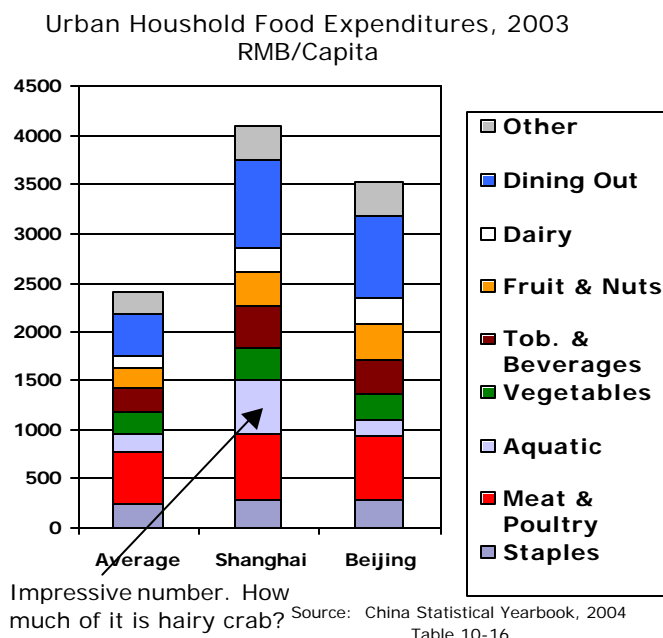
- Niche markets rule. Ordinary crabs command an ordinary price, not even close to that of hairy crabs. Why? Because they sell into the mass market. Yangcheng Lake crabs, however, fall into the happy category of prestige items: they confer status on those who buy them. In this realm, high price is more virtue than vice.

- Be prepared for success. If you succeed, demand could suddenly outstrip all expectations, then crash when supplies run out and buyers lose interest. At least have some notion in mind of how you plan to cope with this possibility.

- Anything, and I mean anything, can be counterfeited.

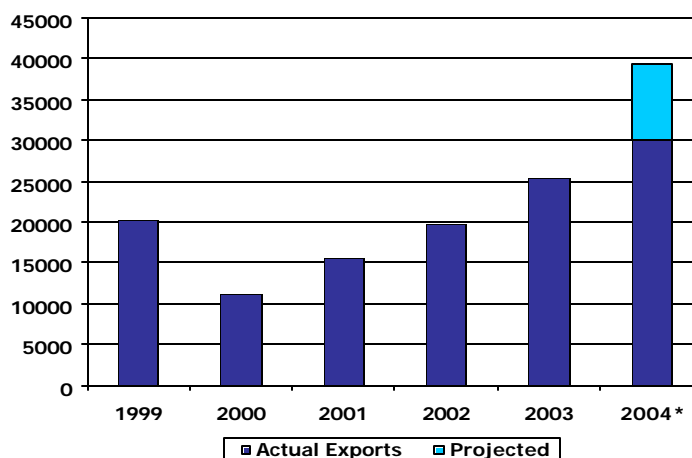
### Cracking the Shell

Tapping into China's high-end niche markets is not easy, and requires an understanding of Chinese consumer tastes and customs, along with consumer education. The greatest successes have been in those products that have domestic counterparts. Although there are traditional aspects to hairy crab that can't be replicated, the Alaska Seafood Marketing Institute (ASMI) has done an outstanding job of marketing Alaska king crab into a similar market niche as hairy crab, with the result that supply, rather than demand, is now the



primary limiting factor. ASMI has also seen considerable success with wild-caught salmon and is working to do the same with snow crab. Washington State is also making similar efforts with dungeness crabs and oysters. Another example has been the success of premium-brand distilled spirits such as certain cognacs, which have successfully parlayed international brand recognition into a ticket into China's traditional premium liquors market. Both sets of products have used existing niche markets to market their products, while successfully using their 'exotic' origin to differentiate themselves from the domestic product.

U.S. Crab and Crab Meat Exports to China, 1999 - 2004 (\$1,000)



\*Projection is a straight-line forecast based on previous three quarters.